RISK MANAGEMENT POLICY

Introduction

The term "risk" means possibility of danger, loss, threat, injury or other adverse consequences. "Risk management" is the process to identify and manage threats that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization, and then taking appropriate actions to address the most likely threats.

As per clause (n) of sub-section (3) of Section 134 of the Companies Act, 2013 ("the Act"), the Directors' Report shall include a statement indicating development and implementation of a Risk Management Policy for the Mayur Uniquoters Limited "the Company" including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

As per regulation 21 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, It has therefore become mandatory for companies to prepare Risk Management Policy, a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimise their adverse impact on the organisation.

The Company recognises that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Company believes that risk may not be fully eliminated, however, it can be:

- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;
- Reduced, by having good internal controls;
- Avoided, by not entering into risky businesses;
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;
- Shared, by following a middle path between retaining and transferring risk.

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks inter alia are changing regulations, competition, business risks, technology obsolescence, investment risks, retention of talent and expansion of facilities. Business risks include financial risks, political risks, fidelity risks, legal risks.

For managing risk more efficiently, the Company would need to identify the risks that it faces in trying to achieve the objectives of the firm. Once these risks are identified, the risk manager would need to evaluate these risks to see which of them will have critical impact on the firm and which of them are not significant enough to deserve further attention.

This Policy is designed to address the process of Risk Management in the Company.

Risk Management Framework

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organisation. The Companies Act, 2013 have also incorporated various provisions in relation to development and implementation of Risk Management policy.

The provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board's Report should contain a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, has made certain amendments in Regulation 21, by virtue of which the Risk Management Committee and other related provisions are now applicable on top 1000 listed entities (previously applicable on top 500 companies only), determined on the basis of market capitalisation, as at the end of the immediate previous financial year.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "Risk Management Policy" of the Company.

CONSTITUTION OF RISK MANAGEMENT COMMITTEE

The Board of Directors of the Company shall form a Risk Management Committee (hereinafter referred to as "Committee") comprising minimum three members with majority of them being members of the board of directors, including at least one independent director, who shall periodically review this Policy of the Company so that the Management controls the risk through properly defined network. The Board of Directors may re-constitute the composition of the Committee, as it may deem fit, from time to time.

The quorum for a meeting of the Risk Management Committee shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.

The Risk Management Committee shall meet twice in a year. The meetings of the Risk Management Committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

The role and responsibilities of the Risk Management Committee shall mandatorily include the performance of functions specified in Part D of Schedule II of SEBI (LODR) and as modified/defined by law from time to time. The Risk Management Committee shall provide oversight and will report to the Board of Directors who have the sole responsibility for overseeing all risks.

The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

The objectives of the Company can be classified into –

Strategic:

- Organizational Growth
- Long term and strong relationships with customers
- Expanding presence in existing markets and penetrating new geographic markets
- Continuing to enhance our industry expertise
- Enhance our capabilities through improving the product quality and development.

Operational:

- Consistent Revenue growth and profitability
- Good quality production
- Develop a culture of innovation
- Attract and retain quality technical manpower and training

Reporting

- Maintain high standards of Corporate Governance and public disclosure.

Compliance

- Adherence to policies, procedures, standards, laws, rules and regulations.

Risk Management and Risk Monitoring

Risk Management and Risk Monitoring are important in recognizing and controlling risks. The entirety of enterprise risk management is monitored and modifications made as necessary.

Risk mitigation is an exercise aimed to reduce the loss or injury arising out of various risk exposures. The Company adopts systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. The Company believes that this would ensure mitigating steps proactively and help to achieve stated objectives.

In the management of Risk, the probability of risk assumption is estimated with available data and information and appropriate risk treatments worked out in the following areas:

1. Economic Environment and Market conditions

The Company's customers are concentrated in automotive, footwear and other allied industries. Economic slowdowns or factors that affect the economic health of the customers and the said industries may increase the risk of growth.

Strategically, the company seeks to continuously expand the customer base to maximise the potential sales volumes and at the same time secure additional volumes from existing customers on the basis of satisfactory performance in earlier dealings. The efforts to enhance quality of products and upgrading their performance parameters are aimed at deriving optimum value from the existing customer base and targeting a larger customer profile. Historically, the strength of customer relationships has resulted in significant recurring revenue from existing customers.

To counter pricing pressures caused by strong competition, the Company has been increasing operational efficiency and continued to take initiatives to move up the quality control scale besides cost reduction and cost control initiatives.

2. Fluctuations in Foreign Exchange

The functional currency of the Company is the Indian rupee and currently the Company does not have much exposure to the impact of foreign currency fluctuation. The Company manages risk on account of foreign currency fluctuations through limited hedging of specific transactions.

3. Political Environment

Risks that are likely to emanate are managed by constant engagement with the Government of the day, reviewing and monitoring the country's industrial, labour and related policies and involvement in representative industry-bodies.

4. Competition

The Company believes that it is strongly positioned in domestic market and continuously expanding its business in International market due to Product Quality. However, with the installation of additional capacity and cost advantages, the Company's marketing strategies are being evolved to cover a wider marketing area. It is also believed that supply of quality product and regular supplies will also minimise the impact of market fluctuations compared to other players.

5. Inflation and Cost Structure

The cost of revenues consists primarily of raw materials including Chemicals, Fabric Relase paper etc. The cost of revenues has a very high degree of inflationary uncertainty. To derisk, the Company has established specific policies for procurement of long delivery and strategic raw materials and stores and those amenable to just-in-time inventories.

At an organizational level, cost optimisation and cost reduction initiatives are implemented and are closely monitored. The Company controls costs through budgetary mechanism and its review against actual performance with the key objective of aligning them to the financial model. Also minimax levels of all Raw Material Commodities are maintained.

6. **Technological Obsolescence**

The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and necessary investments are made to bring in the best of the prevailing technology.

The Company's policies also include a favourable dispensation for replacement of machinery and equipment on a constant basis to take advantage of such technological movements and to utilise the equipment is the best possible manner.

7. Financial Reporting Risks

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and stock exchange listing regulations are creating some unforeseen uncertainty for companies. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

The Company is committed to maintaining high standards of corporate governance and public disclosure to comply with evolving laws, regulations and standards in this regard.

Risk of Corporate accounting frauds

Accounting frauds or corporate accounting frauds are business scandals arising out of misuse or misdirecting of funds, overstating revenues, understating expenses, etc.

The Company mitigates this risk by:

- Understanding the applicable laws and regulations
- Conducting risk assessments,
- Enforcing and monitoring code of conduct for key executives
- Instituting vigil mechanisms
- Adhering to internal control practices that prevent collusion and concentration of authority
- Employing mechanisms for multiple authorisation of key transactions with cross checks
- Scrutinising of management information data to pinpoint dissimilarity of comparative figures and ratios
- Creating a favourable atmosphere for internal auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals to the Management.

8. Legal Risk

Legal risk is the risk in which the Company is exposed to legal action.

The Company has an experienced team of professionals and advisors who focus on evaluating the risks involved in contracts, ascertaining responsibilities under the applicable laws in the contracts, restricting liabilities under the contracts, and covering the risks involved so that they can ensure adherence to all contractual commitments.

Management places and encourages its employees to place full reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure total compliance. Advisories and suggestions from professional agencies and industry bodies, Chambers of Commerce, etc are carefully studied and acted upon where relevant.

The Company has established a compliance management system in the organisation with the Company Secretary being the focal point to get monthly compliance reports from functional heads and the same being placed before the Board. Periodic Compliance Audit is conducted by an independent Auditor. Secretarial Audit report by a practising Company Secretary in compliance with the provisions of the Companies Act is a regular check for the management.

9. Quality Management

The Company's commitment towards total Quality Management promotes continual improvement in quality of products and services. The Company is certified for ISO 9001, IATF 16949, other certifications and other quality standards. Considerable focus is given to adherence to quality check in every dispatch and customer feedback is studied and necessary corrective actions are taken immediately, if required.

10. Environmental Risk Management

The Company is certified with ISO 14001(Environment Management System) and endeavours to protect the environment in all its activities, as a social responsibility.

The Company remains fully compliant with various environmental protection, health and safety laws and regulations. The Company has instituted a management system, which ensures full compliance to all applicable legal requirements.

Keeping harmony with nature as a guiding principle, plantation of trees, maintenance of green belts and gardens in and around the manufacturing unit, mangrove plantation in the factory premises, vermi-compost of waste and its use as manure, recycling of treated water in process system and in horticulture activities, etc. are regular activities undertaken by the Company.

For control of water pollution the Company has setup an Effluent Treatment Plant (ETP)/ Sewage Treatment Plant (STP) for the treatment of effluent/ sewage and it is further used for gardening and plantation and the industrial wastewater generated from the plants is re-circulated into the process.

11. Human Resource Management

The Company ensures that the right person is assigned to the right job and that they grow and contribute towards organisational excellence. The Company's growth has been driven by its ability to attract top quality talent and effectively engage them in right jobs. The Company seeks to provide an environment that rewards entrepreneurial initiative and performance.

Risk in matters of human resources are sought to be minimised and contained by following a policy of providing equal opportunity to every employee, inculcate in them a sense of belonging and commitment and also effectively train them in spheres other than their own specialisation. Employees are encouraged to make suggestions on innovations, cost saving procedures and free exchange of other positive ideas relating to manufacturing procedures. It is believed that a satisfied and committed employee will give of his best and create an atmosphere that cannot be conducive to risk exposure.

Employee compensation is always subjected to fair appraisal system with the participation of the employee and is consistent with job content, peer comparison and individual performance. Compensation packages are inclusive of the proper incentives and take into account welfare measures for the employee and his family.

12. Cyber Risk Management

The Company ensures a network security device that monitors incoming and outgoing network traffic and decides whether to allow or block specific traffic based on a defined set of security rules. Firewall protect network by filtering traffic and blocking outsiders from gaining unauthorized access to the private data on Company's computer.

<u>Risks specific to the Company and the mitigation measures adopted</u>

1) Variance in the demand and supply of the product in various areas:
Based on experience gained from the past and by following the market dynamics as they evolve, the Company is able to predict the demand during a particular period and accordingly supply is planned and adjusted.

2) Business Operation Risks:

These risks relate broadly to the company's organisation and management, such as planning, monitoring and reporting systems in the day to day management process namely:

- Organisation and management risks
- Production, process and productivity risks
- Business interruption risks
- Profitability

Risk mitigation measures:

- The Company functions under a well-defined organization structure.
- Flow of information is well defined to avoid any conflict or communication gap between two or more Departments.
- Second level (Deputies) positions are created in each Department to continue the work without any interruption in case of non-availability of functional heads.
- Proper policies are followed in relation to maintenance of inventories of raw materials, consumables, key spares and tools to ensure their availability for planned production programmes.
- Effective steps are being taken to reduce cost of production on a continuing basis taking various changing scenarios in the market.
- Regular training programs are arranged to improve the skills of employees.

3)Liquidity Risks:

These include:

- Financial solvency and liquidity risks
- Borrowing limits
- Cash management risks

Risk Mitigation Measures:

- Proper financial planning is put in place with detailed Annual Budget discussed at appropriate levels within the organisation. Performance against monthly budgets are tracked with Variance Analysis to have better financial planning and study of factors giving rise to variances.
- Daily and monthly cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilise cash in an effective manner.
- Cash management services are availed from Bank to avoid any loss of interest on collections.
- Exposures to foreign currency transactions are supported by LCs and Bank guarantees and steps to protect undue fluctuations in exchange rates. Surplus funds are invested in low risk investment instruments, to get better returns on idle funds.

4) Credit Risks:

These include:

- Risks in settlement of dues by dealers/customers
- Provision for bad and doubtful debts

Risk Mitigation Measures:

- Systems and procedures are in place for assessment of creditworthiness of dealers/customers and approval of the credit limit
- Provision for bad and doubtful debts made to arrive at correct financial position of the Company
- Appropriate recovery management and follow up

5) Logistics Risks:

Risk Mitigation Measures:

- The Company has area wise dedicated transport group to handle all requirements relating to movement of goods. The Company uses a combination of various transports sources such as road, rail, air and sea.
- Possibilities to optimize the operations, by having a combination of transportation options through road/ rail and sea/air are explored.
- Insurance of goods in transit,

6) Market Risks / Industry Risks relating to Raw materials:

These include:
- Demand and Supply Risks
- Quantities, Qualities, Suppliers, lead time, interest rate risks
- Raw material rates
- Interruption in the supply of Raw material

Risk Mitigation Measures:

- Raw materials are procured from different sources at competitive prices.
- Alternative sources are developed for uninterrupted supply of raw materials.
- Demand and supply are external factors on which company has no control, but however the Company plans its production and sales from the experience gained in the past and an on-going study and appraisal of the market dynamics, movement by competition, economic policies and growth patterns of different segments of users of company's products.
- The Company takes specific steps to reduce the gap between demand and supply by expanding its customer base, delivery mechanisms, etc.
- Proper inventory control systems have been put in place.

7) Human Resource Risks:

These include:
- Labour Turnover Risks, involving replacement risks, training risks, skill risks, etc.
- Unrest Risks due to Strikes and Lockouts.
- Harassment of Employees.

Risk Mitigation Measures:

- The Company has proper recruitment policy for recruitment of personnel at various levels in the organization.
- Proper appraisal system for revision of compensation on a periodical basis has been evolved and followed regularly.
- Employees are trained at regular intervals to upgrade their skills.
- Labour problems are obviated by negotiations and conciliation.
- Activities relating to the welfare of employees are undertaken.
- Employees are encouraged to make suggestions and discuss any problems with their superiors.
- The Company has established a Prevention of Sexual Harassment Policy and Whistle Blower Policy to provide a secured environment and to encourage the employees to report unethical, unlawful or improper practices or activities in the company and to prohibit managerial personnel from taking any adverse action against those employees

who report the same.

• Company has labour contractor to supply labour without interruption or hassel.

8) Disaster Risks:

These include:

• Natural risks like fire, floods, earthquakes, etc.

Risk Mitigation Measures:

• The properties of the company are insured against natural risks, like fire, flood, earthquakes, etc. with periodical review of adequacy, rates and risks covered under professional advice.

• Fire Fighting System (Fire Extinguishers, Fire Hydrants, Fire Sprinklers, Foam Monitors etc.) have been placed at fire sensitive locations.

• Fire and First aid training is given to watch and ward staff and safety personnel.

• Workmen of the Company are provided with hospitalisation facility to serve the welfare of the workmen.

9) Systems Risks:

These include:

• Systems capability

• Systems reliability

• Data integrity risks

• Coordinating and interfacing risks

Risk Mitigation Measures:

• EDP department maintains repairs and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.

• Password protection is provided at different levels to ensure data integrity.

• Licensed software is being used in the systems.

• The Company ensures “Data Security”, by having access control/ restrictions. • Periodical backup of data is being taken.

10) Legal Risks:

These risks relate to the following:

• Contract Risks

• Contractual Liability

• Frauds

• Judicial Risks

Risk Mitigation Measures:

Following are the measures adopted by the Company to mitigate the risks relating to Legal aspects:

- A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.
- Contracts are finalized as per the advice from legal professionals and Advocates.
- Timely payment of insurance and full coverage of properties of the Company under insurance.
- Internal control systems for proper control on the operations of the Company and to detect any frauds.
- The Company keeps records and documentation relating to each contract and legal cases.
- The Company keeps it self-protected against the liability of the contractors, through proper agreements and insist the contractors to comply the legal requirement and proper insurance coverage of its employees, if any.

11) Foreign Exchange and Interest Rate Risk Management:

The Company has currency exposures in imports and exports transactions.

Risk Mitigation Measures:

- Foreign currency exposures are recognized from the time an import / export order/contract is signed and as per contractual maturity prior to opening of Letters of Credit and/or Purchase Orders by customers.

- The Company enters into forward exchange contracts to avoid the impact of fluctuation in foreign currency exchange rates.

Business Continuity Plan

Business continuity system is one of the most important components of the organization, which makes it possible to avoid and prevent the risks of business interruptions, maintain and enhance the Company’s image among its consumers, Business Partners, and public officials (“Parties Concerned”), strengthen confidence in the Company and improve loyalty. It mainly focuses on prevention, identification and elimination of existing and future threats to the Company business, proactive approach to minimize impact of incidents, effective actions taken in the event of business interruption, minimization of the periods and consequences of downtimes during incidents, reduction of the recovery time.

Review of the Policy:

This Policy shall be reviewed at least once in two years to ensure it meets the requirements of legislation and the needs of organization.

Amendment:

This Policy is framed based on the provisions of the Act and Rules thereunder and the requirements of Listing Regulations with the Stock Exchanges. In case of any subsequent changes in the provisions of the Act or any other regulations which makes any of the provisions in the policy inconsistent with the Act or Regulations, then the provisions of the Act or Regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law. The Company reserves its right to amend or modify this Policy in whole or in part, at any time.